



Portland U.S. Export Assistance Center Newsletter

One World Trade Center
121 SW Salmon Street,
Suite 242
Portland, OR 97204
Phone: (503) 326-3001
Fax: (503) 326-6351

May, 2006

MAY 9TH EXPORT STRATEGIES SEMINAR: VANCOUVER, WASHINGTON

The Portland U.S. Export Assistance Center's Export Strategies Seminar series aims to help companies at all stages in their export planning. Companies interested in exporting but who have no experience doing so should consider attending, as well as established companies with questions about new regulations or new markets.

Our international trade specialists each have seasoned experience in a particular sector of exported products, and will speak and be prepared to answer a wide variety of questions.

The seminar will take place on May 9th at the Heathman Lodge in Vancouver, WA. Registration is at 8am; the event is from 8:30am-4:30pm. Cost is \$75 per person; \$45 per additional person per company (breakfast/lunch included).

For more information, please view [Export Strategies Seminar Online Information](#) or contact Jennifer Woods at 503.326.5290

Sponsored by:
Federal Express,
AterWynne LLC.,
Portland Business
Journal,
The Port of
Portland,
Invest Australia,
Clarity Visual
Systems, and the
District Export
Council of
Oregon and SW
Washington.

MAY 22ND Event: "Looking West - Growth Markets in the Pacific Century - It's Not Just China"

MARKET OF THE MONTH: Egypt

OREGON'S WORLD TRADE MONTH INTERNATIONAL TRADE CONFERENCE AND EXHIBITION: This conference will look beyond the current preoccupation with China to more promising opportunities in more widely accessible markets including Japan and Korea, the countries of ASEAN (Association of Southeast Asian Nations) and Australia and New Zealand. These markets represent leading destinations for Pacific Northwest exports and current or recent targets of Administration efforts to negotiate Free Trade Agreements.

The event will feature a keynote address by Franklin Lavin, Under Secretary of Commerce for International Trade who will address Administration initiatives to expand trade with the Pacific Rim, including results of the April Washington visit of Chinese President Hu Jintao.

Cost: \$125 full day program, \$50 luncheon only, \$75 luncheon with seat at the head table with the Undersecretary of Commerce.

Click here to [Register Online](#) or contact Jennifer Woods, Senior International Trade Specialist, at 503-326-5290

Register by May 1 for direct delivery of an Asia export market e-newsletter!

In recent years, the land of the Pharos and cotton harvesting has been transformed into a major oil and gas producer, a business and manufacturing hub for surrounding countries, and a market thirsty for foreign products.

With a population of 77.5 million people, Egypt's market is by far the largest in the Middle East and North Africa. Egypt's economy has become much more diversified than in the past, not only is it a

Continued on Page 3

Every five years, the World Customs Organization updates the Harmonized Tariff System (HTS) nomenclature at the international (six-digit subheading) level. The HTS updates, effective January 1, 2007, are massive. The changes will likely revise your import cost structure and will require significant administrative effort to implement. Many importers and exporters manufacture products that are comprised of thousands of parts. Will you be able to handle the significant administrative burden required to reclassify products, update your global classification database, and cope with all of the resulting changes to the various preferential trade programs in which you participate? Don't wait until the last minute. The time to do it is now.

The Risks of Waiting

- *Large administrative effort:* The HTS changes could render your entire database of product classifications obsolete. Many of the individual product classifications will change, and all will need to be reviewed.
- *Potential for supply chain interruptions:* If product classifications are not reviewed prior to import, the analysis will have to be done at time of shipment. The volume of transactions and the need for research on some items will result in shipment delays and thus can impact your supply chain.
- *Revision to import cost structure:* HTS classification is the basis for duty rates. The overall change is meant to be rate neutral, but there will be changes to duty rates for individual items, with a resulting potential impact on the overall duty liability for an individual company. Analysis of the HTS changes and the potential for impact will at least allow time for budgeting, and more importantly, the time for any appropriate revisions to the sourcing strategy. In addition, more than 350 preferential trade programs rely on classification for eligibility determination, and in many cases, require supplier certification. Waiting until the new classification structure is in place to qualify products for preferential treatment will result in deferred duty (cash) benefit and may result in loss of that duty benefit.

The Scope of Changes

- Virtually all sections of the HTS (encompassing 83 of the 97 chapters and 240 headings) will have changes.
- Many of the changes are intended to eliminate confusing language and will result in new subheadings.
- Other subheadings will become more inclusive, thereby removing many product classifications from "basket" provisions.
- Additions, changes, and deletions will also be made to section and chapter notes, resulting in even further product classification changes.
- The national changes could involve either reduction or expansion of statistical breakouts.
- Most preferential trade programs' rules of origin are based on HTS classifications; as such, it is expected that significant changes to these unilateral, bilateral, and multilateral agreements will be necessary.

Impact to the Trade

- Industrial and high technology products (falling in chapters 84, 85, 87, and 90) will be heavily impacted.
- While the intent is to make changes "substantially rate neutral," it is very possible that duty rates on products may change as they are reclassified under the new numbers.
- There will be a significant administrative burden to research previously classified products to update classification databases applicable to each country and cope with all of the changes to the various preferential trade programs.
- Depending on when the new data is officially available from each country's customs administration, there may be little or no time to properly implement the changes before they become effective.

10 Next Steps for Importers/Exporters

- 1) Identify your universe of products potentially affected by the changes.
- 2) Collect national updates as they become available.
- 3) Monitor all countries' government publications for timing and details of changes.
- 4) Begin reclassification to the extent possible; this is at least to the six-digit level or greater for countries that have already published additional digits (such as the United States, which has published to the eight-digit level, but not yet to the 10-digit level).
- 5) Prepare for the solicitation of origin certificates for the various preferential trade programs under the new numbers (taking into account that rules of origin may not be available until after the normal solicitation time next year).
- 6) Plan contingencies for potential late publication of national HTS and preferential trade program rules of origin, even past the January 1, 2007 effective date.
- 7) Ensure that adequate staff is available to deal with the workload burden. Consider engaging global trade experts with the systems and knowledge in place to assist with the effort.
- 8) Communicate with the supply base to make it aware of the issue and request its cooperation in the smooth handling of these adjustments.
- 9) Coordinate strategy with database administrators to react to possible late changes to ensure timely systems updates.
- 10) Develop plans with brokers and forwarders to handle problems and avoid border delays.

Source: Hart, Bernie. *10 steps to Help You Prepare for January 1, 2007 Harmonized Tariff Systems (HTS) Updates*. Managing Imports and Exports: The Leading Source of Information on Global Trade, Compliance, Logistics and Sourcing. May 2006, Issue 05-06. www.ioma.com/global

MARKET OF THE MONTH: Egypt

Continued from Page 1

major oil and gas producer, with natural gas production increasing rapidly, but the clothing and textile sector remains strong and continues to grow as well.

The Egyptian economy has picked up pace under a new, Western-oriented reformist government. The Egyptian pound has been floated, foreign exchange shortages and the black market have been eliminated, and tariffs have been reduced, with a simplified tariff structure introduced with lower tax rates. Egypt has pushed through customs reforms, proposed income and corporate tax reforms, reduced energy subsidies, and privatized enterprises. The financial sector continues to undergo reform. These measures have significantly lowered the market entry barriers for new to market companies.

Best Prospects for U.S. Exporters

The most promising investment sectors in Egypt are oil and gas, power generation and transmission, telecommunications and information-technology, consumer goods, and non-food franchises. All facets of the tourism industry provide increasing opportunities for exporters, including hotel equipment, environmental management services, airport and related infrastructure, U.S. building systems and equipment, and U.S. project management.

Entering and Succeeding in the Egyptian Market

Succeeding in Egypt is the same as succeeding in any market. Knowledge of the market, the competitors, the clientele, and the local laws and regulations is essential. The best way to obtain this knowledge in Egypt is to work with a local partner. A local partner is also needed because foreign companies cannot bid directly on government tenders; they must act through local agents. Additionally, as the Egyptian market becomes more sophisticated, there is a growing demand for after-sales service, which is more easily provided by a local agent.

The U.S. Commercial Service in Egypt actively assists U.S. companies with partner/distributor/agent searches, identification of local business service providers, targeted market access and research studies and other business support. Comprehensive information on doing business in Egypt is available free on-line through the [Egypt Country Commercial Guide](#).

Market Research

Through its expert local commercial specialists, the U.S. Commercial Service in Egypt produces market research aimed at educating U.S. businesses about market sectors, specifically in light of new laws and increased opportunities. Recent market research for Egypt includes Medical Equipment and Supplies, Water Resources Equipment, Educational Services, and Food Processing and Packaging. [Find Egypt's market research at Export.gov](#)

Contact Us

U.S. Commercial Service Cairo

American Embassy U.S. Commercial Service
5 Latin America Street
Garden City, Cairo
Ph: 011-20-2-797-2340
Fax: 022-20-2-795-8368
Email: Cairo.Office.Box@mail.doc.gov

U.S. Commercial Service Alexandria

American Center U.S. Commercial Service
3 El Pharaana Street
Alexandria, Egypt
Ph: 011 +-20 (3) 486-5607
Fax: 011 + -20 (3) 486-9199
Email: Alexandria.Office.Box@mail.doc.gov

Article Courtesy of U.S. Commercial Service Egypt. To access this article and for more information visit the [U.S. Commercial Service Egypt web site](#)